



Small Town. Real Life.

October 27, 2011

## OFFICE OF THE MAYOR

### BUDGET MESSAGE

I am pleased to present the 2012 Preliminary Budget for the City of Duvall. The budget is a living document that your City uses to plan for the future of our community. It is a forecast of expected resources and the purposeful distribution of those resources. The 2012 Preliminary Budget is a balanced budget, in that beginning fund balances and resources equal ending fund balances and expenditures.

The primary policy of this budget is a conservative focus while addressing specific needs of the city. Staff worked hard on taking a conservative approach for estimating resources as well as a conservative approach to spending. Additionally, we monitor spending and are able to manage expectations with the resources we have, while maintaining the levels of services our citizens have so enjoyed.

The 2012 Preliminary Budget, as compared to the 2011 Budget is as follows:

Fund Types	2010	2011	2012	2011-2012 % Change
	Actuals	Budget	Preliminary Budget	
General Fund	5,131,183	5,243,350	4,985,003	-4.9%
Contingency Fund	198,336	254,149	255,598	0.6%
Special Revenue Funds	1,295,926	1,348,187	1,135,931	-15.7%
Capital Project Funds	2,596,951	2,102,714	1,834,465	-12.8%
Utility Funds	8,546,164	8,240,268	8,779,463	6.5%
Bond Redemption & Reserve	1,051,810	1,091,412	757,630	-30.6%
Internal Service Funds	-	-	619,208	100.0%
	\$ 18,820,370	\$ 18,280,080	\$ 18,357,298	0.5%

The new budget represents a “base” budget; a budget that maintains the current operations at the current levels of service. There are no new tax increases, outside of a CPI increase in the utilities. The one significant change to revenues we are seeing is with property taxes. We are seeing an 8% decrease in our assessed value which has resulted in a \$129,000 dollar decrease in our property tax revenues.

The other noticeable change to the budget is the creation of two internal service funds. Two funds have been converted to Internal Service Funds to better manage these functions. The Equipment Fund was moved out of the Special Revenue category and the Building Maintenance Fund was moved out of the Capital Project category into the new Internal Service Fund category. The budgets for these new funds are 16% lower than the funds they replaced. The purchase of the phone system and two police vehicles made the Equipment Fund budget higher than normal in 2011.

Another change recognized within the proposed budget relates to the completion of the Main Street reconstruction project. The Main Street Capital Project Fund is being closed and the remaining fund balance is being refunded and transferred to the funds that provided the original funds.

Lastly, the Bond Fund budget is also much lower as the 1997 sewer plant bonds were paid off and the 2000 sewer bonds were refinanced resulting in lower debt service costs in 2012. This has resulted in a savings to our sewer utility of \$200,000 in interest over the next seven years.

The City of Duvall is a full-service municipality serving a resident population of 6,695. The municipal government will employ 45.5 people to deliver \$18.4 million in services during 2012. The City delivers a variety of services, including police, street operations and maintenance, water distribution, sewer collection and treatment, storm drainage, planning, zoning, building and development permitting and road, park, utility and building capital project development. As a full service city, our entire staff is spread throughout and across multiple departments. The budget reflects adjustments to salaries and benefits following two years of no cost of living adjustment. In addition, due to a transition to a new medical insurance plan, health insurance costs will remain at or slightly below 2011 levels.

The one area that is always difficult to predict is how many new housing starts the City will see. In 2011 we've issued 73 new building permits in Duvall. This number is triple what we predicted when we established the 2011 budget. For 2012 we are again taking a conservative approach to the number of housing starts we expect to see. That number is 32.

The water, sewer, and storm drainage utilities will incur their automatic CPI increase per Resolution 11-02 dated February 2011. The CPI increase is to cover the inflationary and contractual increases in the cost of labor and materials to operate the utilities keeping them at healthy levels as required by the bonding agencies.

The 2012 budget reflects a net decrease of 1/2 FTE. This is due to a retirement of a part time plans examiner that will not be filled next year. The Planning Department, working with Administration has hired an associate planner instead of implementing other options that were available within the 2011 budget, one of which included a part time assistant position. Currently two full time employees are sufficient to manage workload and current expectations. The reallocated 1/2 FTE position will be used to hire a part time accountant to assist with regulatory and reporting requirements. In addition, FTEs have been reallocated within Public Works, Police and the General Government to better meet the needs of the city.

Below is a listing of past and present personnel.

<b><u>Full Time Equivalents (FTE)</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Executive	0.33	0.22	0.50	0.50
Finance	1.65	1.65	1.65	1.90
Police	16.89	16.89	16.75	16.75
Engineering	0.79	0.79	0.80	0.80
Planning	2.89	2.00	2.50	2.00
Building	1.70	1.70	1.70	1.20
Big Rock Park	0.17	0.17	0.17	0.17
Parks	0.83	0.83	0.83	0.83
Streets	2.83	2.83	2.83	2.89
IT	0.00	0.50	0.50	0.50
<b>Total General Fund</b>	<b>28.08</b>	<b>27.58</b>	<b>28.23</b>	<b>27.54</b>

<b><u>Continued (FTE)</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
Water Utility	5.78	5.18	5.29	6.14
Sewer Utility	6.62	6.52	6.65	6.72
Storm Drainage Utility	6.02	5.72	5.82	5.10
<b>Total Utilities</b>	<b>18.42</b>	<b>17.42</b>	<b>17.76</b>	<b>17.96</b>
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<b>Total City Employees</b>	<b>46.50</b>	<b>45.00</b>	<b>45.99</b>	<b>45.50</b>

Two new capital projects are included within the proposed budget; the Big Rock Ballfield Sports Facility Enhancement and the Centennial Project.

Improvements at Big Rock will include new drainage and turf to repair the failing surfaces and provide usability throughout the year. Additionally we propose to add a new pathway to encourage additional activities at the site including walking and other healthy activities adjacent to the fields.

In celebration of Duvall's 100<sup>th</sup> birthday, we are proposing the Centennial Project. We feel that it is very important that we leave a legacy for Duvall and honor our last 100 years. Improvements include sidewalks, water main installation, road widening, and Gateway Style Art on Stephens as well as upgrades to the Depot Building. We believe this will help to showcase magnificent park system and should increase economic activity in the downtown core area. As part of this process, I have asked the council to authorize the funding to design both projects in 2011. In addition, \$10,000 has been allocated to Centennial activities and events which will carry us through the Centennial, our 100<sup>th</sup> year.

In conclusion, while other communities consider changes to their levels of service, Duvall has been able to not just maintain the current level but optimize its resources through continuing our partnerships with other communities, finding ways to become more efficient in how we operate and to continue to take a conservative approach to how we program our revenues and manage our expenses.

Finally, I want to thank the Council for their hard work and diligence in working with myself and the City staff in 2011. This partnership developed on trust and understanding has allowed us to manage our resources in such a way that we are able to present a balanced budget for 2012.

Respectfully submitted,



Will Bershof  
Mayor